

PD-ABF 496

81402

A.I.D. PROJECT EVALUATION SUMMARY: PART I

A. REPORTING A.I.D. UNIT: **USAID/EGYPT**
ES.#

B. WAS EVALUATION SCHEDULED CURRENT FY EVALUATION
 Yes X Delayed ___
 Ad Hoc ___

C. EVALUATION TIMING
 Interim X Final ___
 Ex Post ___ Other ___

D. ACTIVITY EVALUATED: AGRICULTURAL PRODUCTION & CREDIT PROJECT (263-0202)

E. ACTION DECISIONS APPROVED BY THE MISSION DIRECTOR	ACTION TAKEN	RESPONSIBLE PARTY	COMPLETION DATE
1. Develop fully coordinated PBDAC reporting system of essential management reports.	Annual Work Plan IV (AWP), Task 4.1.1	PBDAC, Chemonics	June 1992
2. Continue PBDAC strategic planning process with technical assistance from Chemonics Chief of Party/Senior Banking Specialist.		PBDAC, Chemonics	Ongoing
3. Formulate manpower planning program combined with ongoing training needs assessment to optimize PBDAC structure and organization.	Scope of Work, AWP Task 5.2	AID, PBDAC, Chemonics	
4. Expand PBDAC lending into more agribusiness enterprises of input distributions, product processing and marketing.	AWP Task 1.3	PBDAC, Chemonics	Dec. 1991
5. Institutionalize project support services, like public relations and publications, in the bank.	AWP. Task	PBDAC, Chemonics	Ongoing
6. Assess and prioritize PBDAC's financial strategy as to its sources of capital and financial viability. Technical assistance should focus on systems development for analyzing capital needs, sources, and servicing requirements.	AWP Tasks 3.3, 4, 5, 6, and 7.	AID	June 1992
7. Resolve the critical issue of incentives for extension workers among all implementing agencies and USAID.	Interproject Committee (8/26/91); Pilot Project	AID	Ongoing
8. Conduct, each crop season through the life of the project, crop technology verification surveys.	\$160,00 added in ProAg Amendment, AWP Task 6.3.	PBDAC, Chemonics	Ongoing Dec. 1991, June 1992
9. Establish PBDAC economic analysis unit focused on agricultural economics and agribusiness.	AWP Task 6.1	PBDAC, Chemonics	Jan. 1992

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| 10. | Analyze, report, and recommend to PBDAC and USAID management strategies on increasing the role of women in the project and in PBDAC. | Committee Report | Joint Committee to issue report. | March 1992 |
| 11. | Revise project purpose of APCP to include explicitly the program assistance supporting GOE reform by alleviating adjustment costs, stimulating private sector and supporting reform advocates. | Action Memo, ProAg Amendment | USAID, PBDAC | Dec. 91 |
| 12. | Require tranche benchmarks to incorporate formative and impact macroeconomic analysis, to conduct an internal GOE dialogue, and to modify the national cropping plan. | I.F.P.
AERI | NARP Policy Reform Component | Ongoing |
| 13. | Conduct a National Policy conference at the end of Tranche Six to assess and discuss reform results. | Conference | NARP Policy Reform Component | May 93 |
| 14. | Create a ministerial authority reporting directly to the minister to approve privatization plans and timetables. | Policy Reform Committee created. | PBDAC, MALR | Ongoing |
| 15. | Sell agricultural inputs directly to the registered buyers, using quantity discounts to stimulate dealer activity. | Selling fertilizer | MOA/PBDAC | Ongoing |
| 16. | Dispose, through a competitive process, most of the PBDAC's physical facilities used for input distribution. | PBDAC Divestiture | PBDAC, Chemonics | Ongoing |
| 17. | Approach tranche verification in terms of overall progress towards reform objectives, accepting tradeoffs among the set of benchmarks rather than a focus upon any particular benchmark. | Negotiations underway. | AID | |

JFoti, OD/AGR/A
DClark, AD/AGR

RParks, PDS/P
KHilliard, PDS/P
JMalick, OD/PDS/P
CCrowley, AD/PDS

Approved: _____

gkw
George Wachtenheim, DDIR

/ /1991

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G. EVALUATION ABSTRACT

The Agricultural Production and Credit Project (APCP) began on September 30, 1986 with a life of project (LOP) grant funding of \$123 million. The project's goal was "to increase agricultural investment, agricultural productivity, and farm incomes in Egypt." The original project purpose was: To provide farmers with new technology, improved financial services, and expanded access to input supply so that they can take advantage of higher returns to investment in a deregulated agricultural sector.

Explicitly articulated, the project has complementary purposes to accomplish its ultimate goal. The purposes are to:

- 1) Assist GOE in making needed policy changes to deregulate the agricultural sector;
- 2) Provide the farmers with improved financial services, increased credit, and improved extension services.

To accomplish these purposes, APCP consists of two major components: program assistance conditional on agricultural policy reform and project assistance to strengthen the Principal Bank for Development and Agricultural Credit (PBDAC). Currently, APCP has budgeted \$250 million for the policy reform component and \$33 million for the project assistance. Amended in August 1990, APCP now has a LOP of \$283 million and a Project Activity Completion Date (PACD) of September 30, 1995. The complementary relationship between the two components is one of the most notable aspects of the APCP and one the evaluators consider applicable to other assistance programs, sectors, and countries.

The PBDAC plays a key role in the entire project. It receives increases in its capitalization in amounts equivalent to the disbursements of program assistance. Since the latter takes place in tranches based on completion of policy reform benchmarks, the PBDAC has strong incentive to advocate for the reforms within the GOE. It is also expected to reorient and expand its credit operations.

APCP's midterm evaluation of was conducted by a six-member team during May 15-June 20, 1991. The team reviewed project documentation, interviewed participants, and visited project sites.

The evaluation's teams findings were generally positive. The policy reform component made strides, freeing farmers from area controls and output quotas, liberalizing prices, and reducing input and credit subsidies. The policy reforms had been fully supported at the highest levels by the Ministry of Agriculture and Land Reclamation (MALR) and the PBDAC, a critical factor in the reforms' success. The evaluators were careful in their assessment of project impact. They correctly noted that while "recent increases in wheat rice areas and yields are being attributed to the policy reforms," there was only limited "hard evidence" of significant project impact. While this was to be expected in light of the intricacies of policy reform, it highlights the complexities involved in monitoring, verification and impact evaluations of such reforms. As a result, the team suggested that both the GOE and USAID support more technical assistance in this area. On a related issue, the team

recommended that USAID assess general progress towards policy targets rather than fixing specific targets, i.e. the price of cotton.

In the institutional strengthening component, excellent progress has been made in accounting, management information systems, and training and USAID was doing an effective job in guiding and managing this component. The team articulated concerns in two particular areas: an efficient management structure for PBDAC and its long range future. The bank's redundant human resources and its cumbersome management system received careful attention in the evaluation process. The team was also concerned about PBDAC's long range future as it moves to divest itself of many current activities and moves naturally into the agribusiness area. The evaluators recommended that the GOE provide PBDAC with a clear mandate, that the PBDAC intensify its strategic planning process and that the contractor assist in the planning process.

H. EVALUATION COSTS

<u>Evaluation Team</u>	<u>Contract No.</u>	<u>Contract Cost</u>	<u>Source of Funds</u>
Datex, Inc. Lehman Fletcher (Team Leader) Arthur Buffington John Hyslop Mohammed Khafagy Tubba Ibrahim Ali Kamel	263-1070-3-89372/88413	\$	263-0170

A.I.D. EVALUATION SUMMARY: PART II

I. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

PROJECT DESCRIPTION: The Agricultural Production and Credit Project (APCP) utilize a dual approach which blends performance-based program assistance with complementary project type support. APCP began on September 30, 1986 with a life of project (LOP) grant funding of \$123 million. Amended in August 1990, APCP now has a LOP of \$283 million and a Project Activity Completion Date (PACD) of September 30, 1995. The project's goal was "to increase agricultural investment, agricultural productivity, and farm incomes in Egypt." To achieve this goal, the project employs two complementary purposes, which are to:

- 1) Assist GOE in making needed policy changes to deregulate the agricultural sector; and
- 2) Provide the farmers with improved financial services, increased credit, an improved extension services.

APCP was preceded by an eight-year project aimed at increasing agricultural productivity through improved credit services and technology transfer mechanisms, the Small Farmer Production Project (SFPP). SFPP, a successful project with over 150,000 loans which were almost all repaid, encouraged the Ministry of Agriculture and Land Reclamation (MALR) to endorse its expansion throughout Egypt. APCP, composed of two components, was created in the efforts to provide this expansion.

APCP's two components include program assistance conditional on agricultural policy reform and project assistance to strengthen the Principal Bank for Development and Agricultural Credit (PBDAC). Currently, APCP has budgeted \$250 million for the policy reform component and \$33 million for the project assistance. The policy reform has focused on major governmental policies such as mandated cropping patterns and quotas, subsidies on farm inputs, and state management of the marketing of agricultural inputs. The policy component has already disbursed \$100 million in three separate tranches: \$33 million in 1987; \$40 million in 1988; and \$27 million in 1988. The remaining \$150 million will be disbursed in tranches upon achievement of benchmarks relating to cotton procurement prices, elimination of crop delivery quotas and input subsidies, and privatization of farm input supply activities.

The project assistance component is designed to strengthen the PBDAC which plays a key role in the entire project. It receives increases in its capitalization in amounts equivalent to the disbursements of program assistance. Since the latter takes place in tranches based on completion of policy reform benchmarks, the PBDAC has strong incentive to advocate for the reforms within the GOE. It is also expected to reorient and expand its credit operations. The institutional strengthening component is designed to promote a new concept of agricultural credit in Egypt: unsubsidized cash lending to farmers using enterprise budgets which are based on improved technology packages. Increased lending is anticipated due to reductions in input

subsidies, expanded use of inputs, and increased investments in private sector agribusiness industries. The policy decision to encourage the private sector input distribution means that the PBDAC must divest itself of activities that account for a major share of its earnings and employment.

EVALUATION PURPOSE: As originally planned in the project paper and the project grant agreement, the primary purpose of APCP's interim evaluation was to review the project's implementation progress and to determine if any adjustments were required to assure the desired project impacts. The evaluation team was to recommend specific ways to improve project implementation while also documenting and quantifying project impacts.

METHODOLOGY: The evaluation was conducted by a six member team during May 15 to June 20, 1991. The team reviewed project documentation, interviewed participants and GOE officials, and visited project sites in the Giza, Qalubeyia, and Dakhalia Governorates. Initial draft reports were submitted and revised in light of comments made by USAID, GOE and project contractors.

FINDINGS AND RECOMMENDATIONS: The main findings and major recommendations are organized in response to the four key concerns of the evaluation's scope of work. This section articulates the four areas of concern and then summarizes the relevant findings and recommendations:

1) How adequate and effective is the APCP organizational and management structure in supporting implementation to achieve project goal and purpose and produce outputs by PACD?

Findings--Project workplans, budgets, and management are effective tools of project implementation. Senior PBDAC personnel are actively engaged in the project and serious improvements have been made in the accounting system. PBDAC's efficiency, however, is affected by a cumbersome, manual information system, large numbers of unproductive and redundant personnel, and a management system where senior managers make too many decisions.

Recommendations--The project must develop a coordinated reporting system which provides only essential management information. The PBDAC needs to improve its strategic planning; an essential element of this step would be a comprehensive manpower planning program to quantify human resources and improve their management.

2) Has the technical assistance contractor effectively designed and implemented the different elements of the APCP institutional strengthening component?

Findings--Good progress has been made in the areas of Credit Development and Banking Systems, especially accounting and management information systems. The progress needs to be institutionalized and applied uniformly to all governorate banks. While there was progress in training and program support services, the emphasis should shift to institutionalization within the bank and PBDAC should use its own resources in these areas.

Recommendations--A training needs assessment should be closely coordinated with a human resources planning program. PBDAC should establish lending programs for agribusiness enterprises in input distribution and product processing and marketing. Specific plans should be made to expand the program

support services to support the PBDAC as an institution.

3)What preliminary impacts has the project had on farmers and on PBDAC's institutional capacity and financial viability?

Findings--Policy changes are the major source of project impacts on farmers, although effects appear only over time. Technology transfer, linked to credit, is the other source of project impact on farmers, although incentives for extension workers remains an issue to be resolved between PBDAC and the National Agricultural Research Project (NARP). Tranche verification reports are uneven in quality with the studies on Tranche 3 being superior to those on Tranche 4. Recent crop verification surveys show mixed results in terms of on-farm results between project and non-project farmers. The PBDAC is faced with serious challenges as liberalized interest rates, inflationary erosion of capital, modest rates of return, and conservative provisions for debt losses force the PBDAC to find ways to maintain financial viability.

Recommendations--The highest priority in the APCP workplan should be the assessment of PBDAC's financial strategy as to its sources of capital and financial viability and the development of systems to analyze capital needs, sources, and servicing requirements. USAID should work with NARP and PBDAC authorities to resolve the incentive issue for extension workers. Crop technology and tranche verification surveys should become integral parts of the project. The PBDAC should establish and strengthen a PBDAC economic analysis unit to deal with agricultural economics and macro-economics. Women as clients and employees should become institutionalized in PBDAC programs.

4)Are there aspects of the design and operation of the policy reform component that could be modified to improve their effectiveness?

Findings--Policy reforms have been supported by the Minister and senior officials of the Ministry of Agriculture and Land Reclamation (MALR). This support, coupled with the unique blend of performance-based program assistance with complementary project-type support, has been successful. Impressive progress was made in tranches 1-3 during 1986 to 1989 on government agricultural policies. Tranches 4-6 concentrated excessively on fixing cotton and other selected prices at specific targets rather than emphasizing general reforms to encourage private sector participation in open input and product markets. While there is genuine commitment to privatizing input supply activities, actual progress has been slow and inefficient.

Recommendations--The project purpose should be explicitly revised to recognize the promotion of policy reforms which would stimulate and liberalize the agribusiness sector. Several recommendations offered specific advice as to how the PBDAC should speed up its privatization efforts and divest itself of appropriate assets. A series of recommendations specify how USAID, MALR, and the PBDAC should analyze the economic impacts of policy reforms in the agribusiness sector. The evaluators emphasized that economically sound and cost/effective policies and programs involve complex interactions and trade-offs among different segments of the economy: producers need protection from price risks, domestic markets should be insulated from excessive instability and distortions in international markets, and national food security objectives cannot be ignored. In light of this complex relationship, the evaluators suggested that USAID and MALR approach tranche

verification requirements by assessing overall progress toward medium-term reform objectives rather than focusing strictly on certain benchmarks, i.e. the cotton price.

MISSION COMMENTS

The evaluation team employed their relevant professional experience and their intimate knowledge of the Egyptian environment to fulfill their responsibilities decisively and quickly. The team involved the PBDAC constructively in the evaluation and briefed all parties involved throughout the process. The major point of disagreement between the Mission and the evaluation team concerns the evaluation of tranche benchmarks. The evaluators felt that the Mission should have been more flexible regarding the price of cotton and have focused on the general progress which was made. The Mission generally concurs with this approach to policy reform; however, in this context, it determined that a firm approach to tranche verification was warranted and even necessary for future progress in this sector.

LESSONS LEARNED

Several lessons emerge clearly from this evaluation. An important one is the complementary relationship between the program assistance and the project assistance. This relationship is "one of the most notable aspects of the ACP and one that is applicable to other assistance programs, sectors, and countries." Several lessons in the evaluation emphasize well-established principles in development. One point reinforces a principle that is becoming increasingly clear: policy reform involves both general and specific progress which demand careful policy monitoring, verification and impact evaluation. The other axiom, deserving reiteration, is that successful policy reform depends upon committed and influential advocates in that particular sector. These lessons emerge clearly in the rubric of the ACP project.